

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4585-01  
Bill No.: HB 1182  
Subject: Taxation and Revenue - Income; Elections; Boards, Commissions, Committees, Councils  
Type: Original  
Date: February 1, 2012

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Bill Summary: This proposal would authorize an income tax deduction from a taxpayer's Missouri adjusted gross income for all income earned as a temporary election staff member.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Unemployment Compensation Administration	(\$51,000,000)	(\$51,000,000)	(\$51,000,000)
Wagner-Peyser Act Administration	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(\$69,000,000)</b>	<b>(\$69,000,000)</b>	<b>(\$69,000,000)</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact on their organization.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would not result in additional costs or savings to their organization.

BAP officials noted that the proposal would exempt from taxation income earned as a temporary election worker. This proposal would reduce General and Total State Revenue by an unknown amount.

In response to a similar proposal in the previous session (HB 891 LR 0921-01 2011) BAP stated that data supplied to BAP by the Secretary of State's Office suggests as many as 25,000 poll workers may be used in a major election, but BAP did not have data regarding their earned income, or how much of this income may have been reported as taxable.

**Oversight** assumes this proposal would result in an unknown reduction in revenue for the General Revenue Fund. Oversight notes that this proposal would be effective for tax years beginning January 1, 2012 and that returns for those years would be filed beginning in January 2013 (FY 2013).

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) assume this proposal would provide for an individual income tax deduction for income earned as a temporary election staff member. This additional deduction from Missouri adjusted gross income would have an unknown negative impact on Total State Revenue.

DOR officials assumed their organization would need to make forms changes, and DOR and ITSD-DOR would need to make programming changes to various tax systems.

Administrative impact

DOR officials assumed Personal Tax would require two additional Temporary Tax Employees for key-entry, one additional FTE Revenue Processing Technician I (Range 10, Step L) per 19,000 manual entries, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 2,400 pieces of correspondence.

DOR officials provided an estimate of the cost to implement the proposal including two additional employees and the related benefits, equipment, and expense totaling \$90,115 for FY 2013, \$96,369 for FY 2014, and \$97,366 for FY 2015.

**Oversight** assumes the DOR estimate of expense and equipment cost for additional FTE could be overstated. If DOR is able to use existing equipment such as desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly \$5,000 per employee.

**Oversight** assumes the level of activity associated with this additional income tax deduction would be nominal and could be absorbed with existing resources. If unanticipated costs are incurred or if multiple proposals are implemented which create an additional workload for DOR, resources could be requested through the budget process.

IT cost

DOR officials provided an estimate of the IT portion of cost to implement this proposal of \$13,356, based on 504 hours of programming to make changes to various DOR systems.

ASSUMPTION (continued)

**Oversight** assumes ITSD-DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes ITSD-DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, ITSD-DOR could request funding through the appropriation process.

Officials from the **Department of Labor and Industrial Relations** (DOLIR) assume this proposal could raise conformity issues with federal requirements for administration of the Unemployment Compensation (UC) program.

DOLIR officials stated that they referred the proposed language to the United States Department of Labor (USDOL) and USDOL notified DOLIR that this bill does raise conformity issues with federal law, which would jeopardize certification of Missouri's UC program.

If the program is found to be out of compliance or out of conformity, Missouri would lose approximately \$51 million in federal funds that DOLIR receives to administer the UC program and approximately \$18 million the Department of Economic Development receives to administer Wagner-Peyser services each year. Additionally, Missouri employers would lose approximately \$868 million annually in FUTA credits if Missouri's UC program is found to be out of compliance or out of conformity.

For fiscal note purposes, **Oversight** will indicate a loss of federal funds in the amounts shown by DOLIR.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction</u> - income tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND</b>			
<u>Revenue reduction</u> - program disqualification	<u>(\$51,000,000)</u>	<u>(\$51,000,000)</u>	<u>(\$51,000,000)</u>
<b>ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND</b>	<b><u>(\$51,000,000)</u></b>	<b><u>(\$51,000,000)</u></b>	<b><u>(\$51,000,000)</u></b>
<b>WAGNER-PEYSER ACT ADMINISTRATION FUND</b>			
<u>Revenue reduction</u> - program disqualification	<u>(\$18,000,000)</u>	<u>(\$18,000,000)</u>	<u>(\$18,000,000)</u>
<b>ESTIMATED NET EFFECT ON WAGNER-PEYSER ACT ADMINISTRATION FUND</b>	<b><u>(\$18,000,000)</u></b>	<b><u>(\$18,000,000)</u></b>	<b><u>(\$18,000,000)</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2013 (10 Mo.)	 FY 2014	 FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

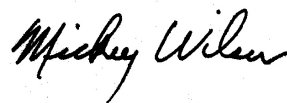
FISCAL DESCRIPTION

This proposal would authorize an income tax deduction from a taxpayer's Missouri adjusted gross income for all income earned as a temporary election staff member.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Office of Administration  
    Division of Budget and Planning  
Department of Labor and Industrial Relations  
Department of Revenue  
Joint Committee on Administrative Rules



Mickey Wilson, CPA  
Director  
February 1, 2012